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SIPDIS

TREASURY TFI FOR STACK, WALLWORK, GRANT;
STATE ISN/CPI FOR JENNIFER CHALMERS AND KEVIN MCGEEHAN

E.O. 12958: DNG: CO 05/20/2019

TAGS: KNNP EFIN ETTC PREL PARM KN JA
SUBJECT: REPLY: UNSC 1718 COMMITTEE DESIGNATION OF DPRK
ENTITIES SUBJECT TO ASSET FREEZE

REF: A. SECSTATE 48525
B. TOKYO 00199

Classified By: CDA James Zumwalt for Reasons 1.4(b),(d)

11. (C) Emboffs delivered points in ref A to Japan Ministry of Foreign Affairs (MOFA) Northeast Asia Division Deputy Director Yutaka Kashiwabara and Ministry of Finance (MOF) International Bureau Legal Research Office Deputy Director Wataru Kikuchi and MOF International Bureau International Organizations Masayoshi Chida May 19. They noted Japan has already designated all three entities.

12. (S) Kashiwabara said MOFA had cabled a similar message to Japanese missions in ASEAN and G-8 member countries to alert host countries to the U.N. 1718 designations and urge them to freeze assets. Kashiwabara also asked for more information related to the two firms and two individuals the U.S. designated in January for providing support to the Korea Mining Development Trading Corporation and said the GOJ had made inquiries through its Embassy in Washington. (NOTE: Kashiwabara was referring to the January 16, 2009 designation under Executive Order 13382 of Taiwan entities and individuals Alex H.T. Tsai, Trans Merits Co. Ltd., Global Interface Company Inc., and Lu-chi-Su. END NOTE). Kashiwabara said the GOJ needs "specific examples" of illicit activity in order to pursue action. Kashiwabara confirmed this was a joint MOFA/MOF determination.

13. (S) Asked how Japan would effectively implement UNSCR 1718 in light of the Financial Action Task Force (FATF) Mutual Evaluation findings of 2008 (ref B) -- specifically FATF's conclusion that "there is no obligation on financial institutions to freeze funds and other assets in relation to any Security Council Resolutions or to examine and give effect to the actions initiated under the freezing mechanisms of other jurisdictions;" the observation of "gaps in the implementation of the UNSCRs 1267, 1373 and successor resolutions;" and FATF's judgment that "Japan has not yet implemented recommendation...7...on...cross-border correspondent banking," MOFA's Kashiwabara stated he was unfamiliar with the issue. MOF's Chida allowed there are some gaps between FATF recommendations and UNSCR obligations, claiming that FATF recommendations are "too complicated and unnecessary."

14. (S) Comment: While MOFA articulated the joint need for "dialog and pressure" on the issue of DPRK nuclear proliferation, it is evident that MOF remains in a state of denial regarding FATF's identification of weaknesses in Japan's ability to combat illicit finance effectively. End Comment.

ZUMWALT